

Message Text

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C O N F I D E N T I A L LIBREVILLE 1058

DEPT PLS PASS EXIMBANK, AND TREASURY FOR ASST SECY BERGSTEN

E.O. 11652: GDS
TAGS: EFIN, GB
SUBJ: BOEING 747

REF: (A) STATE 111495

1. SUMMARY: IN MEETING WITH TREASURY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS C.FRED BERGSTEN ON MAY 3, PRESIDENT BONGO MADE SPECIAL AND URGENT APPEAL FOR USG ASSISTANCE TO ENABLE GABON TO PURCHASE BOEING 747 FOR AIR GABON. ASSISTANT SECRETARY BERGSTEN AGREED TO LOOK INTO MATTER AFTER HIS RETURN TO WASHINGTON MAY 4. THIS MESSAGE WAS DRAFTED AFTER ASSISTANT SECRETARY BERGSTEN'S DEPARTURE FROM LIBREVILLE AND IS SUBJECT TO HIS CORRECTION. END SUMMARY.

2. IN COURSE OF MAY 3 MEETING WITH A/S BERGSTEN, PRESIDENT BONGO MADE SPECIAL AND URGENT APPEAL FOR USG ASSISTANCE TO ENABLE AIR GABON TO PURCHASE BOEING 747, IN EFFECT TO ASK USG TO INTERCEDE ON GABON'S BEHALF WITH BOEING CORPORATION. BONGO BRIEFLY REFERRED TO AUDIT CONDUCTED BY LAZARD FRERES, MORGON GRENFELL LTD., AND KUHN LOEB AND TO RESTRICTIONS HE SAID PLACED BY IMF ON GABON'S BORROWINGS WHICH WOULD PRECLUDE BORROWING FOR 747. HE SAID THAT GABON HAD ACCEPTED THOSE RESTRICTIONS. BONGO
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STATED THAT HE HAD RECEIVED DELEGATION FROM CITIBANK ON MAY 2 AND WAS INFORMED THAT CITIBANK COULD NOT PROVIDE FINANCING FOR 747. GABON WAS THUS CAUGHT IN THE MIDDLE.

3. PRESIDENT BONGO TOLD A/S BERGSTEN THAT GABON HAS PUT TOGETHER 6 BILLION CFA (APPROXIMATELY \$26 MILLION)

FROM ITS OWN RESOURCES BY CUTTING BACK ON OTHER PROJECTS TO MAKE A DOWN PAYMENT TO BOEING FOR 747 WITH BALANCE TO BE PAID BY AN ADDITIONAL \$26 MILLION LATE THIS YEAR OR EARLY NEXT YEAR AND REMAINDER AS SOON AS POSSIBLE IN 1979. IN THIS WAY GABON WOULD NOT BE BORROWING FOR 747 AND WOULD NOT VIOLATE TERMS OF THE IMF RESTRICTIONS. THROUGHOUT DISCUSSION BONGO MADE REPEATED REFERENCES TO URGENCY. UNDER PRESENT TERMS WITH BOEING, 747 DELIVERY IS SCHEDULED FOR JUNE 15. FINANCIAL QUESTIONS MUST BE RESOLVED, HE SAID, BY MAY 15 OR 20 AT LATEST.

4. ACCORDING TO BONGO, BOEING IS UNWILLING TO ACCEPT THIS ARRANGEMENT. BONGO SUGGESTED THAT A WORKING SESSION BE ARRANGED AT WHICH USG WOULD BE GABON'S QUOTE INTERPRETER UNQUOTE WITH BOEING AND CITIBANK.

5. A/S BERGSTEN REPLIED BY STATING THAT ABILITY OF USG TO ASSIST WAS LIMITED BECAUSE TRANSACTION IS ESSENTIALLY A PRIVATE ONE AND BOEING IS A PRIVATE COMPANY. HE NONETHELESS AGREED TO LOOK PERSONALLY INTO ISSUE UPON HIS RETURN TO WASHINGTON AND ASSURED BONGO THAT HE WOULD CONTACT PRESIDENT OF EXIMBANK TO SEE WHETHER THERE WERE ANY POSSIBILITY OF EXIMBANK ASSISTANCE.

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6. BONGO THANKED A/S BERGSTEN FOR HIS OFFER. HE MENTIONED THAT SEVERAL YEARS AGO HE HAD TO WRITE DIRECTLY TO PRESIDENT NIXON WHEN DIFFICULTIES AROSE OVER PURCHASE OF DC-8. BONGO WENT ON TO SAY THAT 747 FOR GABON WAS NOT REPEAT NOT A LUXURY BUT A PROFITABLE VENTURE AND 747 PROFITABILITY WAS PROVEN IN FEASIBILITY STUDIES PREPARED BY BOEING ITSELF. HE CANNOT UNDERSTAND WHY GABON'S OFFER TO PAY CASH INSTALLMENTS FOR 747 WAS TURNED DOWN BY BOEING. HE MENTIONED THAT SOME ADVISERS HAVE SUGGESTED THAT HE PURCHASE THE FRENCH AIRBUS, BUT GABON HAS BEEN A GOOD CLIENT OF US AIRCRAFT MANUFACTURERS AND WISHES REMAIN SO. BONGO CITED PURCHASES OF 737, 747, DC-8, LOCKHEED, AND GRUMMAN AIRCRAFT AS EXAMPLES. HE CONCLUDED BY STRESSING URGENCY OF ISSUE, AS OUTLINED PARA THREE ABOVE.

7. COMMENT: PRESIDENT BONGO IS PERSONALLY COMMITTED TO 747 AND WAS SINCERE IN HIS HOPE THAT USG COULD ASSIST. HIS REMARK ABOUT CORRESPONDENCE WITH PRESIDENT NIXON ON DC-8 PURCHASE IS FIRST WORD WE HAVE HAD OF SUCH CORRESPONDENCE. END COMMENT.

8. RE STATE 111495, EXIMBANK IS CORRECT IN ITS
UNDERSTANDING THAT 747 IS NOT NOW PART OF CITIBANK
SYNDICATED LOAN ACCORDING CITIBANK SOURCES. WHILE WE
NOT AT ALL CLEAR HERE ON IMPACT OF PROPOSED CHANGED
FINANCING ON PRESENT PRELIMINARY COMMITMENT, WE DO HOPE
EXIMBANK WILL LOOK AT PROBLEM SYMPATHETICALLY WITH
VIEW TO HELPING GABONESE. RE IMF RESTRICTIONS
ALLUDED TO BY BONGO, WE STILL HAVE NO CLEAR FIX ON
THEM. PERHAPS THIS TIME, IMF MIGHT BE MORE FORTHCOMING
IF PROBLEM IS POSED IN SPECIFIC TERMS SHOULD THAT
BE NECESSARY. TIENKEN

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